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Evaluating Entrepreneurs

Entrepreneurship (MX600416)

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1 Introduction

What is an entrepreneur? An entrepreneur is a person who builds a business for financial gain, by taking on financial risks. As backed up by the book definition of entrepreneurship, “A person who sets up a business or businesses, taking on financial risks in the hope of profit.” (Oxford dictionary, n.d.) The risk that an entrepreneur undertakes, is weighed out by the either financial gain or the long term benefits such as an increase in percentage of market ownership.

1.1 Entrepreneurs

This report evaluates three different entrepreneurs and their characteristics as well as their stories.

The three entrepreneurs that this report looks at are Howard Head, Jake Burton Carpenter and Jason Levinthal. These three entrepreneurs all built businesses in the winter sports industry to great success; with each entrepreneur marking a turning point in the industry. Their success came at different points of the development of the industry. Each entrepreneur built their businesses differently and at different times.

1.2 Objectives

This report should show how different entrepreneurs take ideas through the stages. From concept, prototype, development and then to market. Whilst also looking at their career and the business choices that were made, including their leadership and management techniques.

It should also look at why these innovators are in fact entrepreneurs. In conjunction to the skills that each entrepreneur has and their techniques and styles they have when it comes to management and leadership will also be evaluated and discussed.

2 Background Research

2.1 Howard Head

Born in Philadelphia USA on 31st July 1914, Howard Head graduated from Harvard Engineering Science, after struggling at a English degree for two years it was an aptitude which pushed him to engineering (Elf, 2019). He started at Glenn L. Martin as a riveter in 1939 (Wearethetwins, 2011), he became an aeronautical engineer during second world war, where he designed the B-26 Marauder which used an aluminium alloy sandwich construction (Elf, 2019).



Figure 1 Howard Head (Leuthner, 2005)

His entrepreneurship journey started after his first trip Skiing in 1947 to Stowe with his friends, he was “humiliated and disgusted” at how bad he skied. Which he blamed on the wooden skis, saying “If wood were the best material, they’d still be making airplanes out of wood” (Elf, 2019) and that he could make a better ski using aircraft materials. So, when he got back, he did some testing on materials used on the B-26, which he analysed against book values of hickory. He then quit his job took all of his savings (\$6,000) which he had accrued from poker games (Elf, 2019). He started prototyping using waste material from Martin’s and also employed three machinist who work weekends and evenings (Elf, 2019).

He took the prototypes to the mountains and had ski instructors to test them, all his prototypes snapped, one pair in the hands of an instructor. Although, Neil Robinson offered to test future models as before the ski broke, he had a good feeling from the ski.

Howard Head founded HEAD in 1950 when all his work paid off. “If I had known it would take me 40 versions before the ski was any good, I might have given up. But, fortunately, you get trapped into thinking the next design will be it.”

The ski kept improving and growing the brand till 1961 when HEAD saw the sale of 56,000 skis. This trend continued thought-out the decade and saw the majority of athletes skiing on HEAD skis. (O'Leary, 2005)

HEAD diversified their brand in the late 1960's to include active sportswear and a tennis division (Wearethetwins, 2011), which has now grown to be one of the companies main revenue source. The racket Arthur Ashe which was an aluminium honeycomb racket.

By the end of the 60's we started to see the first fibreglass production ski. It also saw the sale of HEAD for \$16 million US dollars as Howard Head owned 30% of the company at the point of sale, he received \$4.5 million, he also received royalties from every pair of skis that was sold. After the sale of HEAD, Howard Head retired and move to Baltimore where he built an underground tennis court and spent \$5000 on lessons with no improvement, so on the recommendation of his instructor he purchased a Prince ball machine. The machine “ingenious, but so full of bugs it was almost useless” said Howard Head (Leuthner, 2005).

Head went to Prince with a list of improvements and after working with them for a year on the machine he bought 25% of the company, becoming chair of the board and chief design engineer. Head then moved on to improving the racket as his tennis still had not improved, he decided to make the racket larger this was doable as he was using metal construction and later graphite, wooden rackets couldn't be bigger as the would weigh too much. Head knew from his experience with HEAD that if it did not work for the pros it would not sell so he took an extra year in development. After 4 years on the market Prince sold more than 700,000 rackets holding 13% of the market (O'Leary, 2005).

Head also helped to establish an athlete recover centre named 'Howard Head Sports Medicine Center' in 1987. He did this even though he was on dialysis three times a week after losing a kidney in 1980. (Wyrick, 2017)

Howard Head passed away on 3rd March 1991 (76 years old) of complications following heart surgery, leaving behind his wife Martha, daughter Nancy and sister Jean as well as three step daughters and five grandchildren (McQuiston, 1991). He was introduced into the Colorado Ski and Snowboard Museum Hall of Fame, the year before his death.

2.2 Jake Burton Carpenter



Figure 2 Jake Burton Carpenter (Burton, 2019)

Jake Burton was born on 29th April 1954 in New York (Biography, 2007). Burton was intelligent at school but got suspended from the school which his father and brother had attended before him. His brother "Corporal George Whitney Carpenter died while serving in the Marine Corps in Vietnam. He received the Silver Star Medal and the Purple Heart Medal." (Burton, 2019) Jake's mother passed away three years later from Leukaemia or as Jake put it a broken heart from losing her son, 17-year-old Jake was devastated. Jake had got his act together at school, graduated valedictorian. He always enjoyed physical activities; he was on the ski team. Although he dropped out of university due to lack of enjoyment, he did not make the ski team as it was full of Europeans, he was cut Bill Marolt (his nemesis) whom he later sued when he was with the FIS, in pursuit of fair Olympic qualification (which he won). Jake enrolled on night class at NYU and graduated four years later in 1977.

Jake asked for a surfboard for Christmas, he received a desk instead so he bought himself a Snurfer for \$10 and first rode a Snurfer (the first 'snowboard') a toy snowboard at age 14, this is when he knew "there was a sport here" (Heine, 2010). Burton has always had a mind for business as during his youth he had a landscaping business in Long Island then as a business broker, which would have given him a wealth of business knowledge. When Burton started his business (Burton) in 1977 (Spackman, 2012), he started in a barn where he was the live-in caretaker looking after the horses, he also worked behind the bar in the evening but by day he built and tested prototype snowboards. He was \$100,000 dollars in dept after just two years.

Jake had thought the business would work as long as he could turn out 50 boards a day, so he hired two relatives and a friend, and started turning out 50 boards a day. The part that failed in his plan was he only sold 300 boards in the first year. The problem was that my boards where \$40 - \$30 "so people had to really want it." (Katz, 2006) "I realised that I had to sell the sport as much as the board." "once I focused on marketing the sport, things really turned around." (Katz, 2006). He would travel with a car full of boards and show kids how to ride them. The first Burton advert did not mention Burton it was just all about snowboarding (Katz, 2006). Snowboarding was still banned in resorts.

When Burton moved to his first house in 1981, which had a barn that became the factory, the living room acting as a store, basement as warehouse and bedroom as the office. He then met his wife (Donna) to on New Year's Eve in the pub. They married in the May of 1983, with their first child born in 1989 with the second born in 1993 and the third 3 years later.

During the winter of 1983, the mountain manager said "come by, take a ride with the ski patrol, and we'll see how you do." (Katz, 2006), luckily the snow was soft so they looked like they could handle the boards (Burton, 2019). This was the brake that was needed, Stratton became the first major resort to let snowboarders ride the chairlifts. A year later on a ski trip to Austria with his in-laws, Jake spent the evenings visiting factories to convince them to produce snowboards with steel edges,

finally Keil Ski agreed and they “went on the manufacture the first snowboards with ski construction, steel edges and a p-tex base etc.” (Burton, 2019)

"At first, we weren't even a nuisance, just a novelty. Then we were a nuisance. Then a threat. Then we were the saviours of the ski industry." (Katz, 2006)

1985 saw them move to Austria to create Burton European, the boards were constructed in the garage then moulded in Herr Keil's workshop. Donna built a European distribution network. An office and assemble line were set up in the March seeing the lunch of Burton European. (Burton, 2019)

Jake and his family travelled the world snowboarding and surfing, predominately following the winter. Jake never missed an Olympics watching his athletes winning golds in their discipline (Burton, 2019). Jake had several medical problems during his life. His leg was broken by a skier in 1994. Jake suffered from a disorder called Miller Fisher Syndrome, which paralysed him including his breathing (Branch, 2015).

Jake Burton Carpenter died on the 21st November 2019 aged 65 (Alden, 2019), after he was re-diagnosed with Cancer. Jake sent an email to Burton employees on the 10th of the month (Burton, 2019), stating it was the same tumour as before which had been lingering in his lymph, but he seemed positive. Co-CEO John Lancy announced on 21st of the tragic loss calling him the soul of snowboarding. (Burton, 2019)

2.3 Jason Levinthal

Jason Levinthal was a passionate skier from Albany New York, in his youth he used to ski on traditional directional race skis like everyone else. The materials that skis were made from had changed over the years during the period of HEAD skis, but the design of the ski in terms of its shape and the way it was used “hadn't changed in over 100 years” (Levinthal, 2015). Then during the 80's snowboarding takes off, snowboards were great they had deep side cuts, twin tips shorter and rotated easily meaning that they carved well and were great for pulling tricks on. Skiing had been on the decline and snowboarding was on the incline. Naturally Jason and his mates all stated snowboarding.



Figure 3 Jason Levinthal (Milner, 2014)

Determined to change this and make skiing more like snowboarding. For his senior project at the university of Buffalo New York (Graphic and Product Design), Jason decided to design a ski that was like a snowboard. Which he did by halving the dimensions of a snowboard, he built the ski and took it out at the end of the semester and “in that one day I could do more on this ski than I ever could on traditional skis that where being sold at that time.” (Levinthal, 2015)

Jason continued to evolve the ski and took it to a trade show, which did not seem to go well as they only saw three or four reps. When they got back the local copy shop had fax for them, which was an order for 1000 pairs. Everyone saw this as a problem as it took him a whole day to make a pair, Jason saw this as the “best problem to have” (Levinthal, 2015). So, he moved out of his parents' garage and basement, employed his friends and anyone who would work. When winter came, he delivered on his order of 1000 pairs. By the time the trade show came back around there was a bunch of other manufacturing similar skis including the Big Foots and Salomon's Snow Blades and they had resources and power that Line did not have. Salomon was sponsoring the X-Games at the time and convinced them to put slope style skiing in the games, Jason wins the bronze on a pair of Line skis and his friend Mike won the gold on a pair of Line skis. The company ‘blew up’ after that, they were doing 4,000 pairs of skis a year.

The problem was by 1999, after almost five years of operation the business looked good, but Jason owed \$300,000 to the bank, \$40,000 on credit cards and \$20,000 to his mother and only \$1,500 in the bank. (Levinthal, 2015) They went to the trade show looking for an investor, no money was made off the deal just enough to pay off debts and move into a bigger shop, allowing them to manufacture long twin tip skis.

2006 Line skis were sold to K2, again not for a profit, the sale came as they knew that the company had a great brand, a great product but again a bit of debt and 8,000 pairs of skis a year was not enough to compete with the bigger companies. The brand was going places (Levinthal, 2015), and it did, becoming the fifth biggest ski company in the U.S six years later. Although Line was owned by a large organisation, Jason Levinthal took a fulltime job with K2 as CEO of Line and kept the brand and the company on track and true to what they stand for and not diversifying. (Levinthal, 2015)

Jason left Line and K2 to start J skis where he wanted to collaborate with artist, celebrities and athletes. Whilst only selling direct to customers and reducing development time, this all reduces the overall cost of the ski. Jason has a history and a story that is what makes a brand, he has continued the digital marketing and backing local hero which he rolled out as a marketing plan whilst at Line. (News 5, 2015) (Champlain College, 2013)

3 Analysis

Head not only revolutionised the ski industry with the invention of his metal sandwich construction ski, built using his engineering knowledge and expertise from his work on military aircraft during WW2. He also took on the tennis market, which he also turned upside down whilst he was at Prince at first with his improvements to the ball machine and then with his patterned larger headed racket, he increased the size of the head by 20% increasing the sweat spot 40% (O'Leary, 2005).

Burton not only raised the largest snowboarding company but was called the godfather to the sport (Branch, 2015) (Katz, 2006). This god father status is due to when he started Burton to sell boards, he had to sell the sport to create that desire in people so they would in turn buy a board. (Katz, 2006)

Jason Levinthal create Line skis straight out of collage which launched freestyle skiing, he got investors on board to pay off debts and later sold out to keep the company going, staying as CEO and launching Full Tilt boots as CEO all under employment at K2, then moving on to open J skis a micro-brewery ski company producing limited run, high quality and unique skis

All three entrepreneurs although all stated business in the snow sports industry, they all started at different times (periods). Time is a large factor for this as Howard opened his business in 1950 when there had been very little innovation in skiing, and inspiration from other industries such as Aviation had just been pushed forward by WW2. Burton was slightly later in 1977 (Spackman, 2012) when youths were less interested in skiing, and there was a surge of skateboarding. The sport of snowboarding opened up new opportunities for tricks, Burton struggles came when snow boarders where not allowed on the lifts as they were 'dangerous' which later changed. Jason Levinthal started Line skis in 1995 in his parents' garage after a collage project. Jason faced a similar challenge to Burton; the terrain parks were called snowboard parks and skiers where banned as the traditional race style skis were considered too dangerous in the park.

Burton are Burton as they only do snowboards, J skis follow this marketing as they only do freestyle skis. J skis market directly to the customer reducing costs of distributors (News 5, 2015), this allows the company to reduce development time from a year or two down to less than six months cutting development cost, all this price cutting reduces cost of the ski whilst still producing the best product and before anyone else could get it to market. Head on the other hand created a ski company and diversified on its success, this is due to a lack of sustainable profit within the ski industry.

Burton not only do snowboards, but their other companies are run as shadow endorsers, consolidation, alliances and retrenchment were the strategies of the past decades. Burton acquired or created companies and brands in snow and non-snow related industries such as eyewear, luggage and even recently, surfboards. Even competing snowboard manufacturers were also bought out simply for the use of their technology, for example, in patented bindings. A short list of these companies includes Anon, RED, B by Burton, and Gravis Footwear. None of these created products carry the Burton label and logo, but their products are included prominently in Burton Snowboards catalogue and Website. (Ryan, 2007) (Heine, 2010) (Tedesco, 2013)

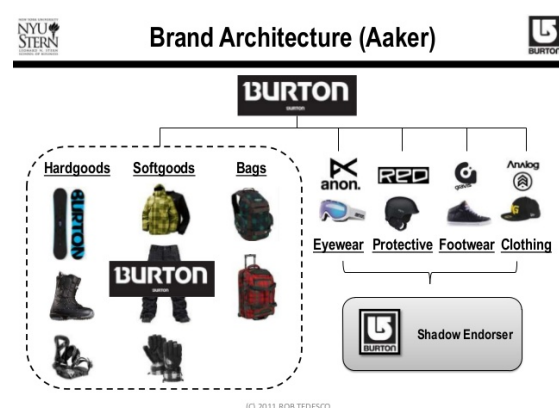


Figure 4 Burton Shadow Endorsers (Tedesco, 2013)

All three had different management techniques, not that any of their techniques were right or wrong but they worked for those company at that period in time. Burton was creating a new product in new market putting them into the diversification strategy part of Ansoff matrix (Hanlon, 2019), Head was more of a product development strategy whereas Levinthal was more product developmental initially but in fact was diversification as it was the creation of freestyle skiing. There strategies were different as all of Levinthal's companies were more customer orientated, and less mass product production based. So his marketing was less pro-athlete and more customer social media based Jason said "we promote local hero's" (Champlain College, 2013) this allowed him to best relate to his customers as he can not compete with bigger ski companies. Whereas, both Head and Burton did not have social media as a tool, so they used ski instructors to sell and market their products through word of mouth, too beginners as this was where the value in the market was. They also sponsored pro-athletes, so their products were seen to be the best or most competitive, they were able to do this as they had the budgets to do so. Sponsorship and rider endorsements was a large marketing strategy for snowboard manufactures, Burton has been associated with all the big names in snowboarding famously Shaun White and Craig Kelly whom rode for Tom Sims (skateboard brand). Burton poached Craig from Sims, they sued and won (due to a nose bleed whilst he was on the stand and the judge thought he was a 'cokehead' as it was the 'coke heyday' (Katz, 2006)), and Craig was banned from riding branded boards, so Burton developed a really high performance brandless board which of course everyone knew it was ours "We hit a home run." (Katz, 2006) Burton also sponsored the first ever snowboard competition.

4 Conclusions

Jake, Howard and Jason all had a passion for the sports, industry or products; and that is what made them successful. Their passion is what drove them to continue through the tough times, that and the determination to become better or make the sport better.

They all faced different challenges and over came them to beat the odds. The different styles used by different individual suited their situation and strategy. It would have been no good for Head to back local talent as there was no platform such as social media for that to be advertised. The opposite applies if J skis sponsor athletes they would spend a fortune and have to outsource outside the US and mass produce which means longer lead times which does not conform to the brand.

Management techniques need to suit not only the brand and the company you have set-up, but your process and marketing strategy, whilst meeting your needs. Head invested, made profit, whilst progressing the sport, moved on and then giving back. Burton invested built a lifestyle and gave back whilst making a profit and growing a sport. Jason invested, progressed the sports, sold up to keep the dream alive, managed the company and reinvested for sustainable profit and enjoyment.

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